

# Energy Wholesale Market Review

Week Ending 26<sup>th</sup> April 2013



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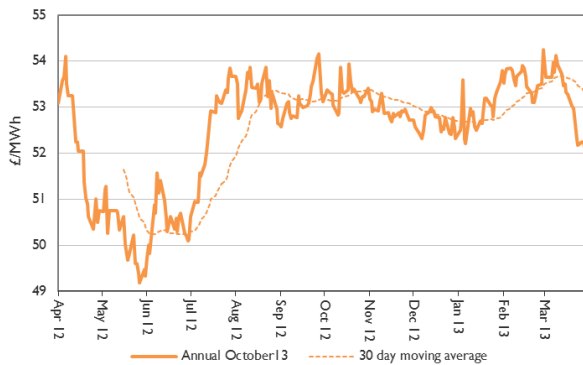
## Headlines

Annual power prices saw the continuation of a downward trend as a result of lower carbon and gas prices on the back of decreasing demand due to higher temperatures. Annual power fell 0.5% to an eight-month low of £51.5/MWh and annual gas dropped 0.7% to 67.6p/th. The annual baseload power price is now 2% lower than the March 2013 average and 2% lower than the 2012 average of £52.9/MWh. Day-ahead prices were mixed this week, gas fell 1.4% to 66.1p/th while power increased 3% to £47.5/MWh as wind power output decreased. Gas generation was more profitable this week as a result of lower fuel prices, the annual clean spark spread rose 7% to £4.0/MWh. The annual clean dark spread increased as a result of stable coal prices, the spread climbed 0.2% to £25.8/MWh. The clean dark spread is now at a £21.8/MWh premium to the clean spark spread. Carbon prices dropped to a weekly average of €3.0/t as prices continued to fall as a result of the EU Parliament vote against back-loading proposals to support the value of carbon. Brent crude oil climbed back above \$100/bl amid signs of growing demand in the US. The month-ahead Brent crude oil contract rose 1.2% to a weekly average of \$100.9/bl.

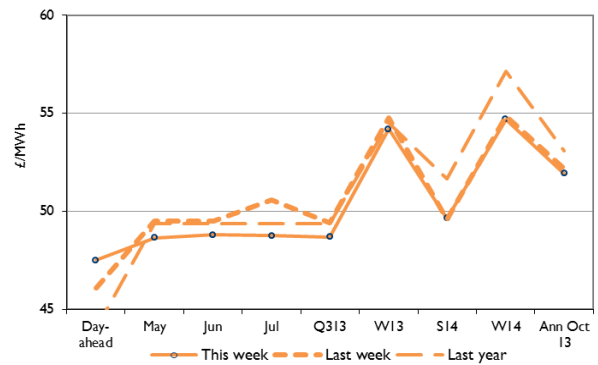
## Baseload electricity

- Annual baseload power prices were generally down this week, pulled downwards by gas.
- Annual October 13 baseload power fell 0.5% to a eight-month low of £51.5/MWh.
- Day-ahead power rose 3% to £47.5/MWh.
- Day-ahead power prices increased on the back of lower wind generation output.

Annual October contract



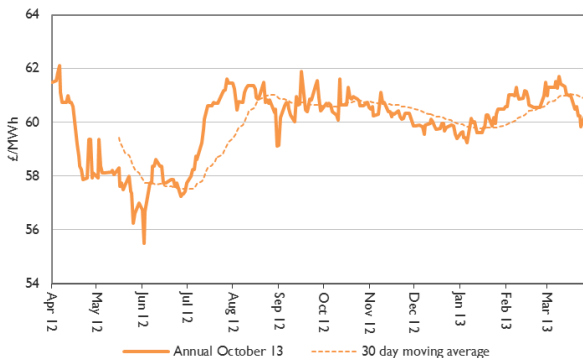
Forward curve comparison



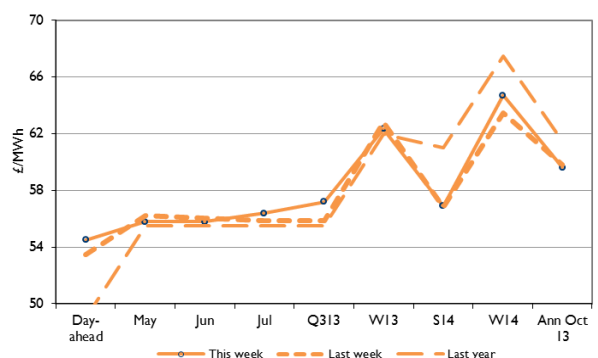
## Peak electricity

- Peak power prices saw a mixed trend this week.
- The annual October 2013 peak power contract fell 0.3% to £59.6/MWh.
- Day-ahead peak electricity climbed 2% to £54.5/MWh.
- The contract is now 19% lower than last month but 11% higher than last year.

Annual October contract



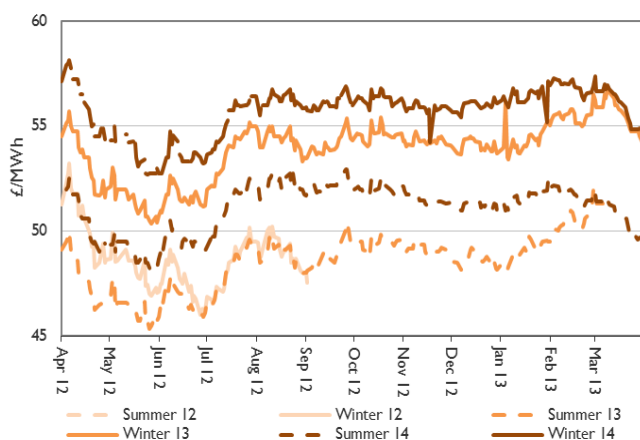
Forward curve comparison





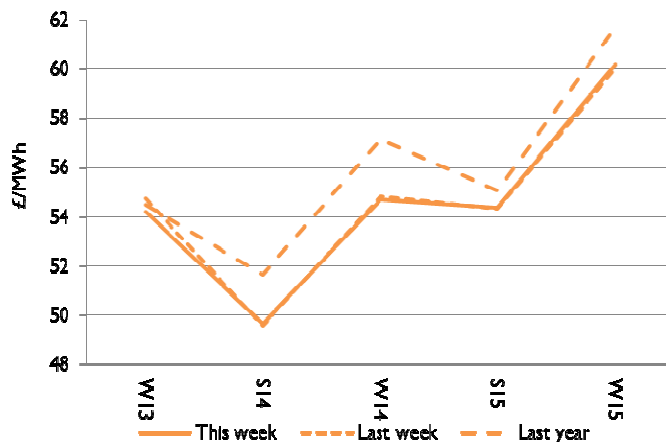
## Seasonal power prices

### Seasonal power contracts



- Winter power contracts were down 0.3% on average. Winter 13 electricity fell 1.0% to £54.2/MWh.
- On average summer power contracts were up 0.1%. Summer 14 increased 0.1% to £49.7/MWh.

### Seasonal power curve



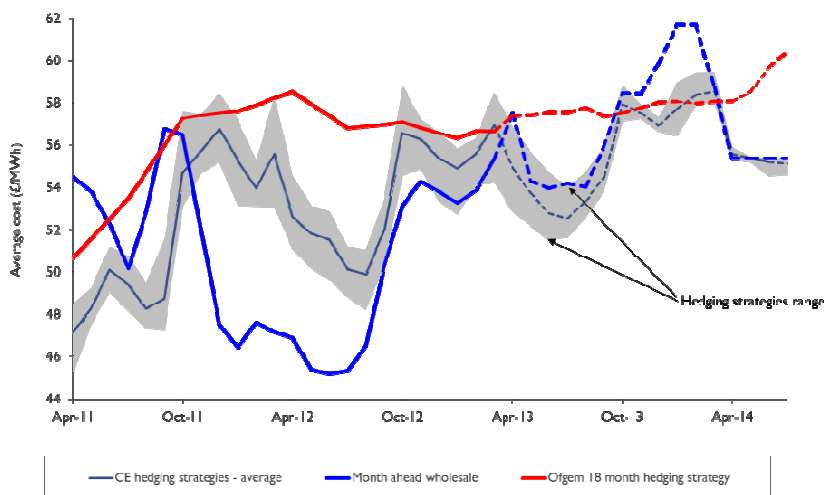
- The winter 13 power contract is now 3.0% lower than last month's level of £55.9/MWh.
- Winter 13 power is now 0.6% below the price in 2012, which was £54.5/MWh.

## Supplier hedging strategies

Cold weather and supply have pushed up UK electricity and gas contracts during March. Average month-ahead wholesale gas prices for the last four weeks have increased by 7% compared with the previous month's figures, while month-ahead electricity prices climbed 5.6%. There has been an increase in suppliers' cost-based notional hedging strategies, prices are likely to reduce again during the summer, but the fall will be not match the large drop seen in summer 2012. It is therefore unlikely there will be a price reduction before next winter. Electricity prices for this winter are expected to be 2% higher than last year. The Department of Energy and Climate Change released its estimates of the impact of policies on consumer bills. DECC said its policies have reduced gas and power bills by 5% and by 2020 bills will have been reduced by 11%.

Although both Ofgem's and our assessments show a similar overall trend, the incorporation of nearer-term prices makes our assessments more volatile than Ofgem's smoothed quarterly and seasonally based approach.

### Electricity





## Wholesale price snapshot

Key market indicators:

26/04/2013

	Gas (p/th)		Electricity (£/MWh)		Wood Pellets (€/t)		Coal	Carbon	Brent crude
	Day-ahead	Year-ahead	Day-ahead	Year-ahead	Month-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week 26 Apr 13	66.05	67.58	47.50	51.93	109.75	116.39	93.80	2.95	103.10
Last week 19 Apr 13	67.00	68.07	46.10	52.18	111.42	118.33	92.35	3.40	99.59
Last month 29 Mar 13	71.00	69.30	65.75	53.66	110.21	117.46	92.85	4.95	109.53
Last year 27 Apr 12	58.75	66.25	44.00	53.08	105.02	112.12	109.75	7.28	119.36
Year-on-year % change	12%	2%	8%	(2%)	5%	3.8%	(15%)	(59%)	(14%)
Year high	118.00	71.15	86.00	54.25	114.02	111.85	109.75	9.05	119.63
Year low	52.00	60.45	39.95	47.93	80.68	107.74	90.10	2.70	89.14
<p>This table shows the price this week compared with prices from the previous week, month and year. The graphs show the position of this week's prices with a red X and the range of prices over the year is represented by the black line.</p>									



## About EDW Technology Limited

EDW has an extensive history of developing, implementing and supporting its 'best of breed' retail electricity software solutions.

In 2000, EDW began building a revolutionary new electricity software platform to support the rigorous demands of the UK's deregulated electricity supply market – a market characterised by rapidly changing government regulation, business processes, market rules, industry dataflows and customer demands. EDW were founded as a provider of high quality, end-to-end IT services and we have remained true to that aim ever since, servicing a range of companies in the energy industry.

For over 11 years, our software product ERS has empowered business electricity suppliers to transform customer experience, improve business efficiency, reduce costs to serve and improve profitability.

EDW has a UK based team of 60 employees working from the EDW offices in Milton Keynes.

## Industrial and commercial billing specialists

The industrial and commercial electricity supply market has unique business requirements that need to be serviced with a specialised set of IT system capabilities. Sophisticated business customers are willing to actively engage in the management of their energy accounts and solutions need to provide tools that support enhanced service interaction. EDW has gathered an extensive knowledge of the industrial and commercial market sector that enables the delivery of a powerful set of system capabilities essential to your requirements to service this complex and demanding market sector.

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